

June 4, 2003

IN RE: DOCKET NO. 2002-416-C – Proceeding for the establishment of a requirement that non-facilities based CLEC's providing prepaid local telephone service be required to post an appropriate Surety Bond.

**COPY OF TESTIMONY OF RONALD K. NESMITH ON BEHALF OF THE SOUTH CAROLINA TELEPHONE COALITION HAS BEEN DISTRIBUTED TO THE FOLLOWING:**

\_\_\_\_\_  
J. McDaniel

\_\_\_\_\_  
Legal

\_\_\_\_\_  
Exec. Asst.

\_\_\_\_\_  
Exec. Director

\_\_\_\_\_  
Manager, Utils Dept.

\_\_\_\_\_  
Audit (1)

\_\_\_\_\_  
Commissioners (7)

pao



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June 4, 2003

The Honorable Gary E. Walsh  
Executive Director  
South Carolina Public Service Commission  
Synergy Business Park  
101 Executive Center Drive  
Columbia, South Carolina 29210



**Re: Proceeding for the Establishment of a Requirement to Post a Surety Bond  
Docket No. 2002-0416-C**

Dear Mr. Walsh:

Enclosed for filing on behalf of the South Carolina Telephone Coalition please find an original and twenty-five (25) copies of the direct testimony of Ronald K. Nesmith in the above-referenced matter.

Please return a clocked-in copy of this filing to me by way of our courier. Thank you for your assistance.

Very truly yours,

Margaret M. Fox

MMF/rwm  
Enclosures

cc: Parties of Record  
Ronald K. Nesmith

**POSTED**  
6/4/03

**SOUTH CAROLINA TELEPHONE COALITION**  
**DIRECT TESTIMONY OF RONALD K. NESMITH**  
**BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**  
**DOCKET NO. 2002-0416-C**

**RECEIVED**  
2003 JUN -4 4:05  
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**Q: Please state your name and business address.**

A: My name is Ronald K. Nesmith. My business address is Post Office Box 588, 1101 East Main Street, Kingstree, South Carolina 29556.

**Q: By whom are you employed and in what capacity?**

A: I am employed by Farmers Telephone Cooperative, Inc. ("FTC") as its Controller.

**Q: Please briefly outline your education, training and experience in the telephone industry.**

A: I earned a Bachelor of Business Administration degree from Francis Marion University. I began my telecommunications career at FTC in June of 1973 as a network technician and, with the opening of a new position within the accounting department, transferred to the accounting department in 1975. Since 1975, I have worked in many areas of responsibility involving internal policies and procedures, settlements and external affairs with connecting carriers, access billing, negotiations of interconnection agreements, and regulatory functions including cost study work, rate design for tariff filings, access billing, and universal services. I have held the Controller position since May of 1997, where my primary responsibilities are concentrated in the areas of regulatory oversight and external affairs.



RETURN DATE: OK

SERVICE: OK

1    **Q:    On whose behalf are you testifying in this case?**

2    A:    I am appearing on behalf of the South Carolina Telephone Coalition or "SCTC." SCTC  
3        is an informal organization of incumbent local exchange companies ("ILECs") that come  
4        together on matters of mutual importance to these companies. A list of SCTC companies  
5        is attached as Exhibit A.

6    **Q:    What is the purpose of your testimony?**

7    A:    The purpose of my testimony is to present SCTC's comments and position with respect to  
8        bond requirements for non-facilities based, prepaid local exchange carriers.

9    **Q:    Have you reviewed the testimony of Commission Staff witness James M. McDaniel?**

10   A:    Yes, I have.

11   **Q:    The Commission Staff proposes that the Commission require non-facilities-based**  
12        **prepaid local exchange service providers to post a bond to protect customers who**  
13        **purchase services in advance. Do you agree with this position?**

14   A:    Yes. As pointed out by Mr. McDaniel, the Commission already requires carriers offering  
15        prepaid calling card and long distance services to post a bond to protect customers in the  
16        event a carrier unexpectedly exits the market. As he also pointed out, the same potential  
17        situation exists in the case of non-facilities based carriers providing prepaid local  
18        exchange service.

19   **Q:    Do you have any additional suggestions with respect to a bond requirement for such**  
20        **carriers?**

21   A:    Yes. The bond requirement as proposed by Mr. McDaniel appears to be directed only at  
22        trying to quantify the amount of money that would be owed by the carrier with respect to  
23        refunding end user customers for the amounts they have prepaid to the carrier. While this

1 should certainly be one of the purposes of such a bond, we request that the bond be  
2 required in a sufficient amount to also cover the indebtedness that a carrier who abandons  
3 the market might owe to the underlying facilities-based ILEC. Non-facilities-based  
4 carriers typically do not have any assets in South Carolina. They order service from  
5 facilities-based carriers in South Carolina for resale to end users. The federal  
6 Telecommunications Act imposes a legal obligation on facilities-based ILECs to allow  
7 such carriers to purchase the ILEC's retail services for resale to end users. The bond  
8 requirement should be calculated and administered in such a way so as to protect the  
9 public and also to ensure that the facilities-based carriers are not left with unpaid debt if  
10 the non-facilities based carrier disappears. It is our ratepayers who ultimately bear the  
11 cost of bad debt owed to the company, and they should not be expected to bear additional  
12 cost as a result of an unscrupulous carrier leaving the state with unpaid debt.

13 **Q: Does the SCTC have any additional recommendations?**

14 A: Yes. In adopting a bond requirement, the Commission should institute a policy providing  
15 that no waivers will be given that would reduce or eliminate the financial requirements  
16 applicable to non-facilities-based prepaid carriers. Because prepaid carriers are not  
17 required to keep any assets within the state, a no-waiver policy would help to ensure that  
18 some recourse is available to shield the public -- both end users and underlying facilities-  
19 based carriers -- against carriers who abandon the market and leave behind unpaid debts.

20 **Q: Does this conclude your testimony?**

21 A: Yes.

**EXHIBIT A****South Carolina Telephone Coalition Member Companies**

Bluffton Telephone Company, Inc.  
Chesnee Telephone Company  
Chester Telephone Company  
Farmers Telephone Cooperative, Inc.  
Ft. Mill Telephone Company, d/b/a Comporium Communications  
Hargray Telephone Company, Inc.  
Home Telephone Company, Inc.  
Horry Telephone Cooperative, Inc.  
Lancaster Telephone Company, d/b/a Comporium Communications  
Lockhart Telephone Company  
McClellanville Telephone Company  
Norway Telephone Company  
Palmetto Rural Telephone Cooperative, Inc.  
Piedmont Rural Telephone Cooperative, Inc.  
PBT Telecom  
Ridgeway Telephone Company  
Rock Hill Telephone Company, d/b/a Comporium Communications  
Sandhill Telephone Cooperative, Inc.  
St. Stephen Telephone Company  
West Carolina Rural Telephone Cooperative, Inc.  
Williston Telephone Company



BEFORE  
THE PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA  
DOCKET NO. 2002-0416-C

RECEIVED  
2003 JUN -4 PM 4: 06  
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COMMISSION

IN RE:      Proceeding for the Establishment of a      )  
                 Requirement that Non-facilities Based      )  
                 CLECs Providing Prepaid Local Telephone      )  
                 Service be Required to Post an Appropriate      )  
                 Surety Bond      )

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CERTIFICATE OF SERVICE

This is to certify that I, Rebecca W. Martin, a Secretary with the McNair Law Firm, P. A., do hereby certify that I have this date served one (1) copy of the direct testimony of Ronald K. Nesmith in the above-captioned action to the person(s) named below by causing said copies to be deposited with the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as follows:

Elliott F. Elam, Jr., Esquire  
South Carolina Department of Consumer Affairs  
Post Office Box 5757  
Columbia, South Carolina 29250-5757

Patrick W. Turner, Esquire  
BellSouth Telecommunications, Inc.  
Post Office Box 752  
Columbia, South Carolina 29202


Stan J. Bugner , State Director  
Verizon Select Services, Inc.  
1301 Gervais Street, Suite 825  
Columbia, South Carolina 29201

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June 4, 2003

Columbia, South Carolina